

P64

Diploma in Insurance

Unit P64 – Private medical insurance practice

April 2014 examination

Instructions

- Three hours are allowed for this paper.
- **Do not begin writing until the invigilator instructs you to.**
- Read the instructions on page 3 carefully before answering any questions.
- Provide the information requested on the answer book and form B.
- You are allowed to write on the inside pages of this question paper, but you must **NOT** write your name, candidate number, PIN or any other identification anywhere on this question paper.
- The answer book and this question paper must **both be handed in personally by you** to the invigilator before you leave the examination room. **Failure to comply with this regulation will result in your paper not being marked and you may be prevented from entering this examination in the future.**

Unit P64 – Private medical insurance practice

Instructions to candidates

Read the instructions below before answering any questions

- **Three hours** are allowed for this paper which carries a total of 200 marks, as follows:

Part I	14 compulsory questions	140 marks
Part II	2 questions selected from 3	60 marks

- You should answer **all** questions in Part I and two out of the three questions in Part II.
- You are advised to spend no more than two hours on Part I.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.
- You may find it helpful in some places to make rough notes in the answer booklet. If you do this, you should cross through these notes before you hand in the booklet.
- It is important to show each step in any calculation, even if you have used a calculator.
- If you bring a calculator into the examination room, it must be a silent, battery or solar-powered non-programmable calculator. The use of electronic equipment capable of being programmed to hold alphabetic or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements.
- Answer each question on a new page. If a question has more than one part, leave six lines blank after each part.

PART I**Answer ALL questions in Part I****Note form is acceptable where this conveys all the necessary information**

1. (a) Explain briefly, in relation to private medical insurance, what is meant by electronic data interchange (EDI). (5)
- (b) State **four** benefits that EDI has had on the direct settlement of claims payments between private medical insurance providers and hospitals. (4)

2. (a) Outline **two** reasons why International Classification of Disease (ICD) codes were devised. (4)
- (b) Identify **four** reasons why private medical insurers use ICD codes in the claims assessment process. (4)

3. Outline the measures agreed between the Office of Fair Trading and the Association of British Insurers in relation to the sale of private medical insurance. (8)

4. (a) State **five** characteristics of a dental capitation plan. (5)
- (b) Outline **eight** elements of cover under a dental cash policy. (8)

5. Explain the approach that private medical insurers take towards incurable conditions. (8)

6. Explain briefly:
 - (a) how the services of the private healthcare sector and those of the National Health Service interact; (6)
 - (b) why an individual might seek treatment in the private health sector. (6)

7. Outline the benefits that a private medical insurer would obtain from:
- (a) automatic call distribution; (4)
 - (b) computerised telephony integration. (4)
8. State, in relation to critical illness insurance:
- (a) **three** ways in which the benefits of a valid claim can assist an individual; (3)
 - (b) **five** typical policy definitions used to validate a total permanent disability claim. (5)
9. Outline:
- (a) **three** functions of an actuarial department of a private medical insurer; (3)
 - (b) **six** objectives of the actuarial department. (6)
10. (a) Explain briefly the internal complaints process private medical insurers use to resolve disputes under their policies. (6)
- (b) Explain briefly the powers of the Financial Ombudsman Service to resolve disputes. (9)
11. Summarise the options a private medical insurer may offer to affected customers, when it agrees to take on business from another insurer that no longer transacts private medical insurance. (7)
12. (a) Describe the premium payment methods that are available under healthcare insurances for individual products. (8)
- (b) Explain briefly how premium payment methods for company and corporate products are different from those methods identified in part (a) above. (4)

Questions continue over the page

- 13. (a)** Identify and explain **three** pricing agreements used by private medical insurers when negotiating contracts with hospitals. **(9)**
- (b)** State the meaning of a 'hold harmless' provision in the context of pricing agreements. **(2)**
- 14.** George is self-employed and has entered into a mortgage agreement to buy his first home.
- (a)** Describe the features of the product that is most suited to protect George's mortgage repayments. **(9)**
- (b)** List **three** other policy types that might meet George's needs as a self-employed person. **(3)**

PART II

Answer TWO of the following THREE questions

Each question is worth 30 marks

- 15.** A major employer is developing a flexible benefits (flex) scheme to be offered to its workforce. Private medical insurance will form a central part of the package.
- (a)** Outline the typical insurance-related employee benefits that would normally be included within the flex scheme. **(13)**
- (b)** Describe how a flex scheme would operate and the benefits to the employer from running a scheme. **(14)**
- (c)** Henry, aged 20, is unmarried.
- Identify the most appropriate insurance-related options Henry would select from a typical flex package. **(3)**
- 16.** A private medical insurer wants to achieve its desired level of market share by obtaining and retaining good quality individual rated and group scheme business.
- Explain:
- (a)** how the insurer might structure its sales and marketing divisions to achieve its objectives; **(11)**
- (b)** the key stages of the product marketing process that culminate in the promotion of the product to the customer; **(11)**
- (c)** how the insurer would manage interactions with intermediaries to achieve its objectives. **(8)**
- 17.** Kate has applied for private medical insurance and will be subject to full medical underwriting (FMU).
- (a)** Explain the FMU application process that the insurer will adopt and how this will impact upon Kate. **(18)**
- (b)** Discuss how the Access to Medical Reports Act 1988 will affect Kate in the event that the insurer requires more extensive medical information than her application has revealed. **(12)**

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